

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6520

BILL NUMBER: SB 108

DATE PREPARED: Dec 5, 2000

BILL AMENDED:

SUBJECT: Earnings Limitations for PERF and TRF Retirees.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill reimposes an annual earnings limit on a retired member of the Public Employees' Retirement Fund (PERF) or the Indiana State Teachers' Retirement Fund (TRF) who has not attained the Social Security normal retirement age for unreduced benefits. It provides that if such a retired member is reemployed in a position covered by PERF or TRF and earns more than \$25,000 in a year, the member's retirement benefit is suspended. The bill provides that a retired member who has attained normal retirement age for unreduced benefits may be reemployed in a covered position without a suspension of retirement benefits. The bill also provides that the member is entitled to an additional retirement benefit for the period of reemployment. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2001.

Explanation of State Expenditures: This proposal will affect both PERF and TRF. The estimated impact on annual costs to the employer and on the unfunded liability of the funds are as follows:

Public Employees' Retirement Fund

	State	Local Units	Total
Increase in Unfunded Liability	\$17.4 M	\$31.2 M	\$48.6 M
Increase in Annual Cost	\$2.6 M	\$4.9 M	\$7.5 M
Increase in Cost as a % of Payroll	0.2%	0.3%	0.3%

The funds affected for the state are the State General Fund (55%), or \$1.43 M, and various dedicated funds

(45%), or \$1.17 M. (The percentage split represents the percent contributed by the funds in the aggregate to personal services costs in the State Budget.)

Teachers' Retirement Fund

	Closed Plan	New Plan	Total
Increase in Unfunded Accrued Liability	\$58.5 M	\$3.2 M	\$61.7 M
Increase in Computed Contribution Rate as a % of Payroll	0.12%	0.11%	
Increase in Payout First Year	\$6.1 M		
Increase in Payout Second Year	\$6.2 M		

The fund affected for the Closed Plan is the State General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: The contribution rate for local school corporations will increase by 0.11%: from 8.50% to 8.61% of payroll.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Teachers' Retirement Fund.

Local Agencies Affected: Local school corporations with teachers in the New Plan.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF 576-1508; Denise Jones and Sandy Rodwan of Gabriel, Roeder, Smith & Co., actuaries for TRF, 1-800-521-0498.

DEFINITIONS:

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.